

REMARKS

In the Office Action mailed on April 20, 2006, the Examiner reopened prosecution and rejected claims 1-8 under 35 U.S.C. § 102(e) as being anticipated by a newly-cited reference, *Mosler et al.*, U.S. Patent No. 6,304,858. By this paper, Applicants have amended claim 1 to clarify the subject matter of the present invention. Claims 1-8 remain pending.

To anticipate a claim, the reference must teach every element of the claim. M.P.E.P. § 2131.01 (8th ed. 2001, revised August 2005). Because *Mosler et al.* do not disclose each and every element recited in claim 1 as amended, Applicants respectfully request the reconsideration and withdrawal of the section 102 rejections of claims 1 and its dependent claims 2-8.

Claim 1, as amended, recites a method of compensatory ratio hedging comprising, among other things, "determining a plurality of periods of time making up a life of a swap" and "hedging an amount of a bond by said swap, **said bond having a different maturity from said swap.**" *Mosler et al.* do not teach these claim elements.

Mosler et al. describe a "standardized contract having a price sensitivity similar to an interest rate swap [that] can be traded freely on an exchange...." (*Mosler et al.*, col. 4, ll. 43-45.) As explained by the reference, the price of such a contract is calculated using "a notional bond...having a notional coupon rate F, and a notional maturity M." (*Id.*, col. 8, ll. 66-67.) Swap rates C_i are selected for time periods up to the bond's notional maturity M. (*Id.*, Fig. 4A.) In one example given by the reference, "[s]ince the notional bond is a ten-year bond", a contract with a start date of 16-Dec-98 has an end

date of 16-Dec-08, i.e., 10 years later. (*Id.*, col. 17, ll. 8-10; Fig. 8A.) Thus, the notional bond and the contract in the system of *Mosler et al.* have the same maturity.

Because *Mosler et al.* do not disclose hedging an amount of a bond by said swap, said bond having a different maturity from said swap, Applicants request the reconsideration and withdrawal of the section 102 rejections of claim 1 and its dependent claims 2-8.

Claim 1 further recites “wherein said amount of said bond hedged by said swap varies during the life of said swap to change similarly said swap mark-to-market value to said bond mark-to-market value by **varying the ratio of said bond being hedged to said swap in each determined period of time to compensate for differences in said swap mark-to-market value and said bond mark-to-market value.**” *Mosler et al.* also do not disclose this claim element.

Instead, *Mosler et al.* states that a “swap rate C, is selected for every time period i” until maturity. (*Mosler et al.*, col. 9, ll. 15-16.) As the reference explains “the swap rates selected to form the swap rate curve can be provided by any suitable source of forward interest rates.” (*Id.*, col. 9, ll. 23-24.) Selecting different swap interest rates over periods of time is not the same as varying the ratio of a bond being hedged to a swap in each of a plurality of determined periods of time.

Furthermore, *Mosler et al.* merely states that “[i]f the contracts had been marked-to-market, the buyer and seller would have settled any outstanding amounts daily, at the close of trading.” (*Id.*, col. 9, ll. 53-55.) This general acknowledgement that contracts may be marked-to-market does not provide a teaching of varying a ratio of a bond being

hedged to a swap to compensate for differences in said swap mark-to-market value and said bond mark-to-market values.

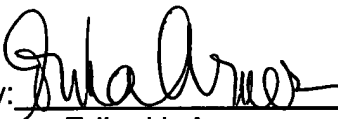
Because there is no teaching in the reference of varying the ratio of said bond being hedged to said swap in each determined period of time to compensate for differences in said swap mark-to-market value and said bond mark-to-market value, Applicants request the reconsideration and withdrawal of the section 102 rejections of claim 1 and its dependent claims 2-8.

In view of the foregoing amendments and remarks, Applicants respectfully request reconsideration and reexamination of this application and the timely allowance of the pending claims. Please grant any extensions of time required to enter this response and charge any additional required fees to our deposit account 06-0916.

Respectfully submitted,

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